



KANSAS

Bill Graves
Governor

OFFICE OF THE SECURITIES COMMISSIONER

David Brant
Commissioner

April 16, 2001

Peter K. Curran
Stevens & Brand, L.L.P.
Firststar Bank Tower
900 Massachusetts, Suite 900
Lawrence, Kansas 66044-0189

Re: Request for Opinion No. 2001-008
Kantronics Co., Inc.
File No: 2001X0000080

Synopsis: Pursuant to K.S.A. 17-1262(l), sales of securities not in violation of K.S.A. 17-1255, and amendments thereto, and made in conformity with the exemption provided by K.S.A. 17-1262(h)(1), need not be counted toward the 20-sale limitation.

Dear Mr. Curran:

This opinion comes in response to your request for a no action letter regarding potential sales of securities to be made by Kantronics Co., Inc. I incorporate by reference the facts as represented in your application of March 26, 2001. A brief summary of those facts follows.

Kantronics, a Kansas corporation, has 53 shareholders, as of October 2000, 42 who reside in Kansas. Starting in October 2000, Kantronics attempted to sell 468,000 shares of its common stock to its existing shareholders. Since that time, Kantronics has succeeded in selling 140,402 shares to those existing shareholders. No commission or other remuneration was paid in connection with these sales. Kantronics now wishes to sell the remainder of the original 468,000 shares to existing shareholders and to non-shareholders. Kantronics proposes to proceed with this offering pursuant to K.S.A. 17-1262(l) by making no more than 20 sales in any 12-month period to persons who are not currently shareholders and intends to comply with all additional requirements of the exemption. The letter does not explain how the 42 existing Kansas shareholders received their shares.

K.S.A. 17-1262(l) allows a corporation formed under the laws of Kansas to make sales of its securities without registration provided that, among other things, the aggregate number of sales by the issuer in the twelve-month period ending on the date of the sale does not exceed 20 sales. K.S.A. 17-1262(l) further provides that sales exempt from registration, other than sales made pursuant to K.S.A. 17-1262(a) or (l), shall not be counted for purposes of the 20-sale limitation.

Based upon the information provided by Kantronics, it appears that the sales made to its existing shareholders would be exempt pursuant to K.S.A. 17-1262(h)(1). These sales, therefore, would not need to be counted toward the 20-sale limitation of K.S.A. 17-1262(l). It is important to note, however, that since your letter does not explain how the existing shareholders obtained their shares, we cannot make any determination regarding the applicability of K.S.A. 17-1262(h) to the recent sales. If the existing shareholders were issued their shares in violation of K.S.A. 17-1255, and amendments thereto, the exemption under K.S.A. 17-1262(h) would be unavailable and those sales would also be counted toward the 20-sale limit in K.S.A. 17-1262(l).

Provided that the original sales to Kansas shareholders were made in compliance with K.S.A. 17-1255, and amendments thereto, staff is willing to take a no-action position regarding the future sales proposed by Kantronics.

This opinion is based upon the facts as represented in your letter. Any variance from those facts could result in a different conclusion. You are advised that this opinion is intended solely as an expression of enforcement policy and is not binding on any court or other tribunal.

Sincerely,

A handwritten signature in cursive script, reading "Wiley B. Kannarr".

Wiley B. Kannarr
Associate General Counsel